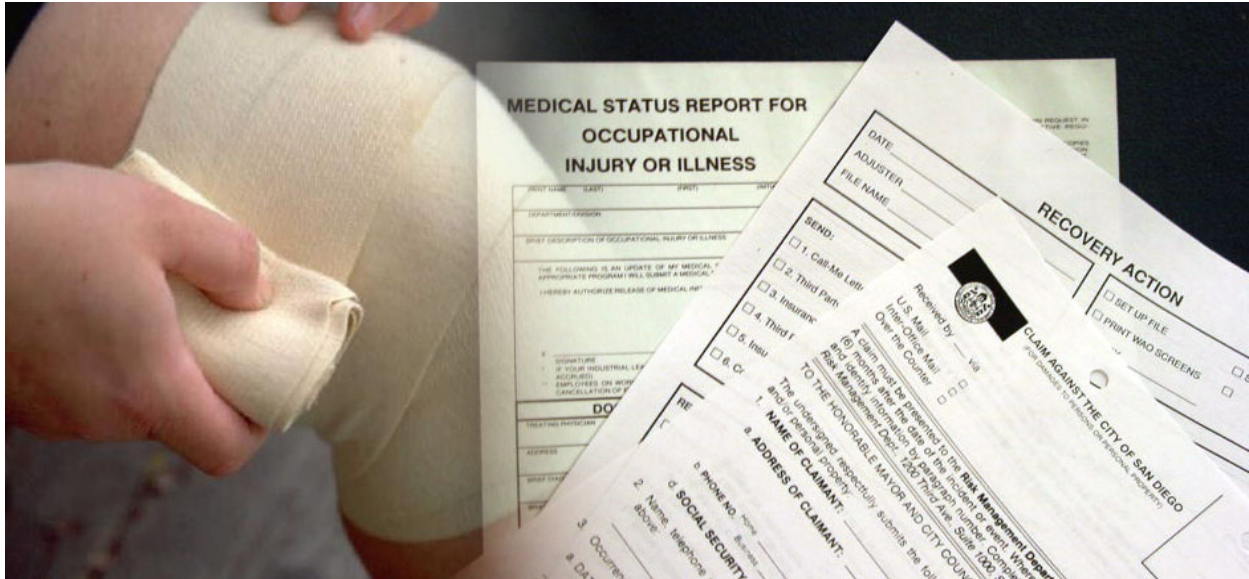




Risk Management





Mission Statement

The Risk Management Department effectively forecasts, controls, and eliminates the City's risks through the administration of comprehensive safety and liability/loss control programs. The Department also provides optimum service to employees through a variety of health, safety and other employee benefit programs. These crucial prevention-oriented programs greatly enhance the working environment and serve as an incentive for employee recruitment, retention and satisfaction, while protecting the City's assets, employees and citizens.

Department Description

The Risk Management Department manages the City's self-insured workers' compensation programs, coordinates public liability/loss control measures intended to forecast and reduce the City's exposure to risks, administers employee health and safety programs and the City's employee benefits contracts and programs.

Division/Major Program Description

Administration

This section provides policy direction, supervision and administrative control over the operations of the Department, including the Public Liability and Loss Recovery, Employee Benefits, Workers' Compensation, and Safety and Environmental Health Divisions. Staff prepares and administers the Department's budget, manages multiple information systems, provides loss data to operating departments, provides centralized payroll and fiscal document processing and provides timely input to the City Manager and the City Council in making loss control, revenue recovery, loss prevention and employee benefit decisions.

Risk Management

Division/Major Program Description (continued)

Employee Benefits and Assistance Program

The City provides its employees with a Flexible Benefits Plan, a Long-Term Disability Plan, Employee Savings Plans and an Employee Assistance Program. The Flexible Benefits Plan administers health, life, and other insurance coverage. Staff further determines eligibility for the Flexible Benefits Plan and processes claims for medical and childcare reimbursement options. The Long-Term Disability Plan provides non-industrially disabled City employees with income and flexible benefits coverage. The Employee Savings Plans allow employees to enhance their retirement years by fully participating in tax-deferred plans such as 401(k) and 457 plans. The Employee Assistance Program assists employees in solving personal and family problems affecting their work performance.

Public Liability and Loss Recovery

The Public Liability and Loss Recovery Division administers a self-insured program for public liability (tort) risks, which is supplemented by purchased excess liability insurance. The Division supports the following activities: investigation and settlement of all claims arising from the City's operation as a municipality; services to residents and special event promoters to ensure the public's interests are protected with appropriate insurance; selection and purchase of all risk and excess liability insurance; and investigation and recovery of damages to City assets caused by individuals and corporate entities.

Safety and Environmental Health

The goals of the Safety and Environmental Health Division are to assist departments in preventing losses to the City and to provide safe public facilities. The centralized staff of this division assists and works with line management in all City departments in an effort to reduce injuries and illnesses. The Division coordinates and conducts City Safety Program audits, City safety reporting, safety training, and workplace inspections; investigates and monitors employee injury and accidents; prepares the annually required Occupational Safety and Health Administration (OSHA) reports; and works with City departments to develop preventable safety and environmental health procedures.

Workers' Compensation

The City's Workers' Compensation Plan is self-insured and self-administered in accordance with the California Labor Code. Staff provides information and assistance to injured employees and other defined customers including all City departments. Finally, this plan coordinates vocational rehabilitation for disabled employees in compliance with State and federal mandates. Staff further investigates, determines and de-

Division/Major Program Description (continued)

Workers' Compensation (continued)

livers appropriate benefits including: all medical and salary continuation benefits, death benefits to surviving dependents, and disability benefits. Finally, this plan coordinates vocational rehabilitation for disabled employees in compliance with State and federal mandates. Staff further investigates, determines and delivers appropriate benefits including: all medical and salary continuation benefits, death benefits to surviving dependents, and disability benefits.

Service Efforts and Accomplishments

As a result of internal reviews and external operational assessments conducted in recent years, and in response to rapidly rising workers' compensation costs, Risk Management developed an optimization plan. This plan will increase departments' awareness of the areas where losses are occurring and where resources should be applied to reduce the volume and subsequent costs of incidents. The Safety and Environmental Health Division is working with the City's departments to develop an aggressive, prevention-oriented program to increase safety awareness and accountability and lower injury rates and costs.

Workers' compensation expenditures continue to increase nationally and throughout the State. In order to combat the extraordinary growth in workers' compensation expenditures, the Risk Management Department employed an integrated managed care approach to handling claims in June 2002. Two aspects of this new approach, bill review and the use of a Preferred Provider Organization, have resulted in an additional \$1.3 Million in savings during Fiscal Year 2003. This represents a 19 percent increase in savings when compared to Fiscal Year 2002. The caseloads handled by Risk Management claims representatives continue to exceed industry standards by 50 percent. The Employee Benefits Division enrolled and maintains benefits for 10,814 City employees.

Future Outlook

The Risk Management Department's Workers' Compensation section is preparing to assist departments in lowering their injury rates and associated costs by streamlining the paper-intensive workers' compensation claim process, and by providing management with department-specific loss reports related to injury rates and trends. The new Injury Tracking and Safety System (ITSS) was implemented in Spring 2003 enabling claims representatives to more effectively manage claims, and providing operating departments with more accurate and timely information regarding their injured work force. This is also anticipated to eliminate penalties incurred due to frequent delays in the current claims process.

A centralized call-in center for injuries and accidents was also implemented, reducing injury reporting times from up to 4 weeks down to 48 hours. This streamlined process will reduce the time to report a claim and reduce the wait time for employees needing medical attention. This process will increase the City's savings in the areas of industrial health care expenses and costs associated with the number of the industrial leave hours taken, and assist supervisors and managers in processing claims promptly and correctly.

Despite the Risk Management Department's efforts to reduce costs, workers' compensation legislation effective in January 2003 will increase the costs associated with all new claims filed after that date.

This poses significant and, as of yet, undefined negative cost impacts to the City in the long term unless meaningful worker's compensation reform takes place at the State Legislative level. The Risk Management Department has taken a proactive approach to addressing this issue with the City's Governmental Relations Department.

Risk Management

Budget Dollars at Work

\$6,999,237 Saved by aggressively reviewing workers' compensation medical bills

\$2,069,688 Recovered from third parties for damage to City property

858 New employees enrolled in the City's benefit programs

1,770 Requests processed to change 401(k) and/or deferred compensation contributions and retirement plan transfers

Risk Management				
	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 FINAL	FY 2003-2004 CHANGE
Positions	81.77	81.77	81.77	0.00
Personnel Expense	\$ 5,248,102	\$ 5,396,017	\$ 5,708,225	\$ 312,208
Non-Personnel Expense	\$ 2,832,904	\$ 1,644,762	\$ 1,847,529	\$ 202,767
TOTAL	\$ 8,081,005	\$ 7,040,779	\$ 7,555,754	\$ 514,975

Department Staffing

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 FINAL
RISK MANAGEMENT ADMINISTRATION			
Risk Management			
Administration	6.52	6.52	7.52
Employee Benefits	16.50	16.50	16.50
Public Liability & Loss Recovery	16.50	16.50	16.50
Safety & Environmental Health	13.00	13.00	12.00
Workers' Compensation	29.25	29.25	29.25
Total	81.77	81.77	81.77

Department Expenditures

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 FINAL
RISK MANAGEMENT ADMINISTRATION			
Risk Management			
Administration	\$ 1,215,704	\$ 687,184	\$ 862,947
Employee Benefits	\$ 1,349,174	\$ 1,496,821	\$ 1,613,148
Public Liability & Loss Recovery	\$ 1,189,405	\$ 1,268,317	\$ 1,353,858
Safety & Environmental Health	\$ 795,378	\$ 1,072,006	\$ 1,055,086
Workers' Compensation	\$ 3,531,344	\$ 2,516,451	\$ 2,670,715
Total	\$ 8,081,005	\$ 7,040,779	\$ 7,555,754

Risk Management

Significant Budget Adjustments

RISK MANAGEMENT ADMINISTRATION

Risk Management	Positions	Cost
Salary and Benefit Adjustments Adjustments to reflect the annualization of the Fiscal Year 2003 negotiated salary compensation schedule, Fiscal Year 2004 negotiated salaries and benefits, changes to average salaries, retirement contributions and other benefit compensation.	0.00 \$	313,201
Support for Information Technology Funding has been reallocated according to a Citywide review of information technology budget requirements and priority analyses.	0.00 \$	154,636
Non-Discretionary Adjustments to reflect expenses that are determined outside of the Department's direct control. Examples of these adjustments include utilities, insurance, and rent.	0.00 \$	47,138

Expenditures by Category

		FY 2002 ACTUAL		FY 2003 BUDGET		FY 2004 FINAL
PERSONNEL						
Salaries & Wages	\$	3,998,432	\$	4,106,104	\$	4,212,747
Fringe Benefits	\$	1,249,670	\$	1,289,913	\$	1,495,478
SUBTOTAL PERSONNEL	\$	5,248,102	\$	5,396,017	\$	5,708,225
NON-PERSONNEL						
Supplies & Services	\$	2,036,564	\$	763,269	\$	740,872
Information Technology	\$	702,962	\$	810,400	\$	1,026,182
Energy/Utilities	\$	85,566	\$	63,191	\$	72,573
Equipment Outlay	\$	7,812	\$	7,902	\$	7,902
SUBTOTAL NON-PERSONNEL	\$	2,832,904	\$	1,644,762	\$	1,847,529
TOTAL	\$	8,081,005	\$	7,040,779	\$	7,555,754

Key Performance Measures

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 FINAL
Average cost per safety evaluation ⁽¹⁾	N/A	N/A	\$256
Average cost for managing each public liability claim	\$364	\$317	\$338
Average cost for managing each City employee's benefits	\$126	\$143	\$154

⁽¹⁾ Measure has been revised to reflect Division's new role within the City.

Risk Management

Key Performance Measures (continued)

	FY 2002 ACTUAL	FY 2003 BUDGET	FY 2004 FINAL
Average cost for managing each workers' compensation claim	\$618	\$699	\$742

Salary Schedule

RISK MANAGEMENT ADMINISTRATION

Risk Management

<i>Class</i>	<i>Position Title</i>	<i>FY 2003 Positions</i>	<i>FY 2004 Positions</i>	<i>Salary</i>	<i>Total</i>
1105	Administrative Aide I	0.50	0.50	\$ 37,986	\$ 18,993
1106	Sr Management Analyst	1.00	0.00	\$ -	\$ -
1218	Assoc Management Analyst	0.00	1.00	\$ 55,514	\$ 55,514
1256	Benefits Representative II	7.00	7.00	\$ 34,975	\$ 244,823
1340	Claims Aide	10.25	10.25	\$ 38,983	\$ 399,575
1341	Claims Clerk	12.25	12.25	\$ 32,852	\$ 402,442
1343	Claims Representative II	15.75	15.75	\$ 56,116	\$ 883,832
1349	Info Systems Analyst III	1.00	1.00	\$ 62,954	\$ 62,954
1391	Supv Claims Representative	4.00	4.00	\$ 67,722	\$ 270,889
1406	Employee Assistance Counselor	2.00	2.00	\$ 55,698	\$ 111,395
1407	Employee Benefits Specialist II	1.00	1.00	\$ 57,531	\$ 57,531
1417	Employee Benefits Specialist I	2.00	2.00	\$ 47,602	\$ 95,204
1429	Employee Assistance Program Manager	1.00	1.00	\$ 71,232	\$ 71,232
1535	Clerical Assistant II	3.00	3.00	\$ 30,468	\$ 91,404
1811	Rehabilitation Coordinator	1.00	1.00	\$ 62,037	\$ 62,037
1816	Claims & Insurance Manager	2.00	2.00	\$ 76,105	\$ 152,210
1823	Safety Officer	4.00	3.00	\$ 61,408	\$ 184,225
1826	Safety Representative II	6.00	6.00	\$ 53,340	\$ 320,037
1876	Executive Secretary	1.01	1.01	\$ 46,240	\$ 46,702
1879	Sr Clerk/Typist	1.00	1.00	\$ 38,040	\$ 38,040
1917	Supv Management Analyst	0.00	1.00	\$ 71,076	\$ 71,076
1937	Sr Claims Representative	3.00	3.00	\$ 62,037	\$ 186,111
1972	Safety & Training Manager	1.00	1.00	\$ 71,232	\$ 71,232
2111	Asst City Manager	0.01	0.01	\$ 172,100	\$ 1,721
2157	Risk Management Director	1.00	1.00	\$ 123,324	\$ 123,324
2214	Deputy Director	1.00	1.00	\$ 104,157	\$ 104,157
	Ex Perf Pay-Classified	0.00	0.00	\$ -	\$ 4,040

Risk Management

Salary Schedule (continued)

RISK MANAGEMENT ADMINISTRATION

Risk Management

<i>Class</i>	<i>Position Title</i>	<i>FY 2003 Positions</i>	<i>FY 2004 Positions</i>	<i>Salary</i>	<i>Total</i>
	Temporary Help	0.00	0.00	\$ -	\$ 82,047
	Total	81.77	81.77	\$	4,212,747

RISK MANAGEMENT TOTAL 81.77 81.77 \$ 4,212,747

Five-Year Expenditure Forecast

	FY 2004 FINAL	FY 2005 FORECAST	FY 2006 FORECAST	FY 2007 FORECAST	FY 2008 FORECAST	FY 2009 FORECAST
Positions	81.77	90.52	91.52	92.52	92.52	92.52
Personnel Expense	\$ 5,708,225	\$ 6,466,317	\$ 6,716,422	\$ 6,974,031	\$ 7,183,252	\$ 7,398,750
Non-Personnel Expense	\$ 1,847,529	\$ 1,950,155	\$ 2,014,160	\$ 2,078,084	\$ 2,240,427	\$ 2,307,640
TOTAL EXPENDITURES	\$ 7,555,754	\$ 8,416,472	\$ 8,730,582	\$ 9,052,115	\$ 9,423,679	\$ 9,706,390

Risk Management

Fiscal Year 2005

Addition of 2.00 Benefit Representative II positions, 3.75 Claims Representative II positions, 1.00 Insurance Claims Manager, 1.00 Supervising Claims Representative, 1.00 Information Systems Analyst will be required for ongoing program enhancements, anticipated workload increase and to maintain the current level of service. Support will also be required for office supplies and new hires for benefits enrollment and maintenance, Public Liability, and Workers' Compensation.

Additional funding of \$35,000 will be required for the Employee Savings Trustee Board, training and certifications, equipment, the Policy and Procedures Manual, training costs, equipment outlay, and automation efforts.

Fiscal Year 2006

Addition of 1.00 Claims Representative II and support will be required for ongoing program enhancements, anticipated workload increase, and to maintain the current level of service.

Additional funding will be required for purchase of a document scanner, and automation. Reduction of onetime expenditures will also be necessary.

Risk Management

Five-Year Expenditure Forecast (continued)

Risk Management	
Fiscal Year 2007	<p>Addition of 1.00 Claims Representative II and support will be required for ongoing program enhancements, anticipated workload increase, and to maintain the current level of service.</p> <p>Reduction of onetime expenditures will also be necessary.</p>
Fiscal Year 2008	<p>Support will be required for automation expansion and to maintain current level of service. Reduction of onetime expenditures will also be necessary.</p>
Fiscal Year 2009	<p>No major projected requirements.</p>

Risk Management

Revenue and Expense Statement

RISK MANAGEMENT ADMINISTRATION 50061

	FY 2002 ACTUAL	FY 2003 ESTIMATED	FY 2004 FINAL
BEGINNING BALANCE AND RESERVE			
Balance from Prior Year	\$ 1,626,311	\$ 840,478	\$ 385,408
Prior Year Reserves	\$ 64,195	\$ 73,707	\$ 73,707
TOTAL BALANCE	\$ 1,690,506	\$ 914,185	\$ 459,115
REVENUE			
City Contributions - General Fund	\$ 5,024,358	\$ 5,020,495	\$ 4,224,000
City Contributions - Other Funds	\$ 1,841,921	\$ 1,840,505	\$ 2,376,000
Miscellaneous Revenue	\$ 16,118	\$ 249,812	\$ 9,500
Services Rendered to Others	\$ 422,288	\$ 528,090	\$ 500,000
TOTAL REVENUE	\$ 7,304,685	\$ 7,638,902	\$ 7,109,500
TOTAL BALANCE AND REVENUE	\$ 8,995,191	\$ 8,553,087	\$ 7,568,615
OPERATING EXPENSE			
Operating Expenses	\$ 6,836,182	\$ 7,281,560	\$ 7,555,754
Prior Year Expenses	\$ 25,312	\$ -	\$ -
Transfer to Other Funds	\$ 1,219,512	\$ 812,412	\$ -
TOTAL OPERATING EXPENSE	\$ 8,081,006	\$ 8,093,972	\$ 7,555,754
TOTAL EXPENSE	\$ 8,081,006	\$ 8,093,972	\$ 7,555,754
RESERVE			
Reserve for Advances	\$ 24,266	\$ 24,266	\$ -
Reserve for Encumbrances	\$ 49,441	\$ 49,441	\$ -
TOTAL RESERVE	\$ 73,707	\$ 73,707	\$ -
TOTAL RESERVE	\$ 73,707	\$ 73,707	\$ -
BALANCE	\$ 840,478	\$ 385,408	\$ 12,861
TOTAL EXPENSE, RESERVE AND BALANCE	\$ 8,995,191	\$ 8,553,087	\$ 7,568,615